TABLE 2. YOUTH UNEMPLOYMENT RATES IN THE CIVILIAN POPULATION BY AGE, RACE, AND SEX: SELECTED YEARS[a] (In percents)

	1957	1964	1978
All Youth			
16-24 years old	9.0	11.5	12.2
All Youth			
16-19 years old	11.6	16.2	16.3
20-24 years old	7.1	8.3	9.5
White Males			
16-19 years old	11.5	14.7	13.5
20-24 years old	7.1	7.4	7.6
Nonwhite Males			
16-19 years old	18.4	24.3	34.4
20-24 years old	12.7	12.6	20.0
White Females			
16-19 years old	9.5	14.9	14.4
20-24 years old	5.1	7.1	8.3
Nonwhite Females			
16-19 years old	20.2	31.6	38.4
20-24 years old	12.2	18.3	21.3

SOURCES: U.S. Department of Labor, Factbook on Youth (Youth Knowledge Development Report 2.5, May 1980), pp. 44, 46; and Employment and Training Report of the President, 1979, p. 244.

a. These years were selected because, in each, the unemployment rate for white males aged 35 to 44 was constant, at 2.5 percent.

Employment and Labor Force Participation

The disparity between white and nonwhite youths is even more pronounced when the proportion employed is compared. Indeed, on this basis, the labor market prospects for white youths overall have improved, with a larger proportion of them finding employment in 1978 than previously, especially among young women (see Table 3). Unemployment rates for white youths have risen because a larger proportion of them are in the labor force than formerly (see Table 4). The experience of nonwhite youths overall is the opposite, with a smaller proportion of them finding employment in 1978 than previously (see Table 3). The deterioration in employment is especially severe among nonwhite men, with the proportion employed falling from 48 percent in 1957 to less than 30 percent in 1978 for teenagers, and from 78 percent to 61 percent for young adults. This decline in employment rates would have resulted in even larger unemployment rates than observed in 1978 had there not been a substantial drop in labor force participation among young nonwhite men. Although the drop in labor force participation is partly due to increasing school enrollment among nonwhites, it may also mean that many are discouraged about the prospects of finding employment--a kind of hidden unemployment.[7]

Inactivity Rates

Civilian employment is not the only productive activity in which youths engage. Military service, school enrollment, and homemaking claim some of them. In recent years, school enrollment rates for nonwhites have increased, converging toward those for whites. Military enrollment has declined since the end of the Vietnam war, but much more so for whites than for nonwhites.[8] It is possible to adjust for the combined effects of trends in school enrollment and military service by using inactivity rates--the percentage of youths who are neither employed, serving in the military, nor enrolled in school.

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7. Robert D. Mare and Christopher Winship, "Changes in Race Differentials in Youth Unemployment and Labor Force Participation, 1960-1978: Preliminary Analysis," in Expanding Employment Opportunities for Disadvantaged Youth: Sponsored Research (Fifth Annual Report, National Commission for Employment Policy, December 1979), p. 72.

8. Ibid., pp. 40-44.

TABLE 3. CIVILIAN EMPLOYMENT-TO-POPULATION RATIOS, BY AGE, RACE, AND SEX: SELECTED YEARS[a] (In percents)

	1957	1964	1978
All Youth			
16-24 years old	52.0	49.0	59.9
All Youth			
16-19 years old	43.9	37.3	48.5
20-24 years old	59.5	60.9	69.6
White Males			
16-19 years old	52.4	45.0	56.3
20-24 years old	80.5	79.3	76.0
Nonwhite Males			
16-19 years old	48.0	37.8	29.8
20-24 years old	78.2	78.1	61.1
White Females			
16-19 years old	38.3	32.2	48.7
20-24 years old	43.4	45.3	60.6
Nonwhite Females			
16-19 years old	26.5	21.8	23.5
20-24 years old	40.9	43.7	45.4

SOURCES: U.S. Department of Labor, Factbook on Youth (Youth Knowledge Development Report 2.5, May 1980), pp. 40, 42; and Employment and Training Report of the President, 1979, pp. 240-44.

a. See footnote a, Table 2.

TABLE 4. CIVILIAN LABOR FORCE PARTICIPATION RATES, BY AGE, RACE, AND SEX: SELECTED YEARS[a] (In percents)

	1957	1964	1978
All Youth			
16-24 years old	57.2	55.3	68.2
All Youth			
16-19 years old	49.6	44.4	58.8
20-24 years old	64.0	66.3	76.9
White Males			
16-19 years old	59.2	52.7	65.0
20-24 years old	86.7	85.7	87.2
Nonwhite Males			
16-19 years old	58.8	50.0	45.4
20-24 years old	89.6	89.4	78.0
White Females			
16-19 years old	42.1	37.8	56.8
20-24 years old	45.8	48.8	69.3
Nonwhite Females			
16-19 years old	33.2	31.7	38.2
20-24 years old	46.6	53.6	62.8

SOURCE: Employment and Training Report of the President, 1979, pp. 240-44.

a. See footnote a, Table 2.

Even after adjusting for trends in school enrollment and military service, a substantial and worsening differential between white and nonwhite young men remains for all but those aged 16 to 17 (see Table 5). Rising school enrollment among nonwhites has resulted in lower inactivity rates for nonwhite men aged 16 to 19, but inactivity rates for nonwhite men aged 20 to 24 have increased in recent years. For most white youths, the reduction in

TABLE 5. COMPARISON OF INACTIVITY RATES: SELECTED YEARS[a] (In percents)

	1964	1978
White Males		
16-17 years old	3.3	3.6
18-19 years old	8.0	4.7
20-24 years old	6.1	5.9
Nonwhite Males		
16-17 years old	8.4	3.7
18-19 years old	14.6	13.2
20-24 years old	10.5	15.9
White Females		
16-17 years old	9.6	4.6
18-19 years old	31.9	13.2
20-24 years old	46.8	24.1
Nonwhite Females		
16-17 years old	11.5	6.4
18-19 years old	36.2	28.0
20-24 years old	45.7	33.5

SOURCE: Mare and Winship, "Changes in Race Differentials," pp. 41, 45.

NOTE: The inactivity rate is the percentage of the population that is neither employed, serving in the military, nor enrolled in school. Military service is ignored for females.

a. See footnote a, Table 2.

inactivity rates has been even larger due to higher employment. In 1978, nearly 16 percent of nonwhite men aged 20 to 24 were inactive, compared to only 6 percent for white men of the same age. Nonwhites in this group were nearly three times as likely as whites to be inactive in 1978--up from almost twice as likely in 1964.

Concentration of Unemployment

Youth unemployment is highly concentrated. Although many youths experience short periods of unemployment in any given year, the distribution of total weeks of youth unemployment is concentrated on a small proportion of youths who are unemployed for long periods. In 1978, nearly 40 percent of youths aged 16 to 21 experienced at least one period of unemployment during the year. Of these, only 23 percent were unemployed for 15 weeks or more. This group of youths with long-term unemployment accounted for 61 percent of total weeks of youth unemployment, although they comprised only 9 percent of the youth population and 10 percent of the youth labor force.[9]

The youths at greatest risk of long-term employment problems are high school dropouts from low-income families. In 1978, about 4 percent of youths aged 16 to 21--about 800,000 youths--met this description. Compared to the total population of youths aged 16 to 21, youths who experienced long-term unemployment in 1978 were 2.1 times as likely to be black and 1.3 times as likely to be Hispanic. They were 1.8 times as likely to be high school dropouts, 1.6 times as likely to come from poor families, and 1.4 times as likely to live in the inner city of a large metropolitan area.[10]

CAUSES OF YOUTH EMPLOYMENT TRENDS

A number of factors have contributed to current patterns and recent trends in youth employment. Some of these factors affect the supply of labor, such as:

- Labor force competition;
- Differences in youth literacy; and
- School enrollment patterns.

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9. CBO tabulations from the National Longitudinal Survey of Youth, 1979. Long-term unemployment or inactivity has detrimental effects on future employability, as is discussed in Chapter III.

10. CBO tabulations from the National Longitudinal Survey of Youth, 1979.

Other factors affect the demand for labor by employers, including:

- o Minimum wage coverage;
- o Changes in wage differentials between youths and adults;
- o Racial and ethnic discrimination; and
- o Shifts in the occupational and geographic structure of demand.

One factor affects the efficiency with which jobs and applicants are matched in the labor market:

- o Placement activities.

Factors Affecting Labor Supply

During the 1960s, youths from the postwar baby boom began to enter the labor market, resulting in increased competition for entry-level jobs. The competition has been particularly intense for nonwhite youths because their population growth rate has been about 50 percent higher than the already rapid growth rate for white youths.[11] At the same time, there has been increasing competition from immigrants[12]--often illegal--as well as from the increased labor force participation of adult women.[13]

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11. Morris J. Newmann, "The Labor Market Experience of Black Youth, 1954-78," Monthly Labor Review, vol. 102 (October 1979), Table 2, p. 26.

12. Research on illegal immigrants to the United States in recent years indicates that they are typically young, male, unskilled, and poorly educated--a group likely to compete primarily with disadvantaged young men in border areas and central cities with preexisting concentrations of legal immigrants. See Michael L. Wachter, "The Labor Market and Illegal Immigration: The Outlook for the 1980s," Industrial and Labor Relations Review, vol. 33 (April 1980), p. 353.

13. Research indicates that adult women are good substitutes for youths in the labor market but, because of continued sex-typing of jobs, they have probably competed primarily with young women. See J.H. Grant and D.S. Hamermesh, "Labor Market Competition Among Youths, White Women, and Others," Review of Economics and Statistics, vol. 63 (August 1981), pp. 354-360.

Differences in literacy help to account for the greater employment problems of nonwhite youths. A 1975 nationwide study among in-school 17-year-olds showed that only 58 percent of black youths could meet the standard of functional literacy, as against 92 percent of white youths.[14] Dropouts would be even more likely to be illiterate. Although nonwhite enrollment rates are increasing relative to those of whites, in 1978 nonwhites were still less likely to graduate from high school than whites.[15] The problem of literacy may have become more pronounced in the 1960s, especially in low-income areas, because of the tendency of some school systems to practice "social promotion"--promoting students from one grade to the next regardless of their performance. This practice is currently being revised in some school districts, which have introduced "minimum competency" requirements for graduation from high school.

Trends in school enrollment are another factor in the rising unemployment rates for nonwhite youths relative to white youths. School enrollment rates for nonwhites have been increasing relative to those for whites. Since schools tend to retain those who would be relatively more employable if they were not in school, rising school enrollment rates for nonwhites could reduce the average employability of those out of school and increase unemployment rates. Closing the schooling gap between nonwhite and white youths may nevertheless be useful in equalizing their employability as adults.

Factors Affecting Employment Demand

Increases in minimum wage coverage may have restrained growth in employment demand for youths during the 1960s, at the very time that the children of the baby boom were entering the labor force. Although the employment effects of the minimum wage are often a subject of controversy, the consensus among recent studies is that increases in the minimum wage reduce the number of jobs available

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14. Charles J. Gadway and H.A. Wilson, "Functional Literacy: A Brief Summary and Highlights of An Assessment of 17-Year-Old Students in 1974 and 1975" (National Assessment of Educational Progress, 1976), p. 15.

15. Factbook on Youth, pp. 32-33.

to younger workers.[16] Further, the adverse effects of the minimum wage appear to be more severe for nonwhite youths than for whites.

A narrowing of the pay differential previously existing between white and nonwhite youths of comparable age and education may also have helped to reduce employment opportunities for nonwhite youths. The average wage for white youths has risen less than the average wage for adults in recent years, thereby generating enough new employment demand for white youths to increase their employment-to-population ratio. Wages for nonwhite youths, however, have increased at about the same rate as the average wage for adults, rising relative to the wage for white youths.[17]

A number of shifts in the occupational and geographic structure of employment demand have occurred in recent years that have also probably had an adverse effect on youth employment. The types of less-skilled jobs for which youths--with little experience and few marketable skills--would normally be hired represent a shrinking proportion of private-sector employment in the United States.[18] In addition, there has been a substantial decline in recent years in the size of the military--a major employer of inexperienced youths; the proportion of youths serving in the armed forces has been declining since the late 1960s--from 25 percent to about 10 percent now.[19] Employment shifts that may have

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16. See Chapter 2, "The Employment and Unemployment Effects of the Minimum Wage," in Report of the Minimum Wage Study Commission, vol. I (May 1980).

17. Richard B. Freeman, "Why Is There a Youth Labor Market Problem?" in Anderson and Sawhill, ed., Youth Employment and Public Policy, p. 9.

18. Robert D. Mare and Christopher Winship, "Changes in Race Differentials in Youth Labor Force Status: A Review of the Literature," in Expanding Employment Opportunities for Disadvantaged Youth: Sponsored Research (Fifth Annual Report, National Commission for Employment Policy, December 1979), pp. 21-23.

19. Richard Cooper, "Youth Labor Markets and the Military," in Youth Unemployment: Its Measurement and Meaning (Department of Labor, Youth Knowledge Development Report 2.1, May 1980), p. 199.

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contributed to the especially severe deterioration in opportunities for nonwhites include the decline in demand for farm labor, which provided relatively more jobs to nonwhites than to whites, as well as the shift of employment out of central cities to the suburbs.[20] Because blacks have become an increasing proportion of all military enlistments since the elimination of the draft, however, the adverse employment effects of the relative reduction in military demand for youths have been more moderate for black than for white youths.

Matching Mechanisms

The unemployment that normally accompanies the transition from school to work may have increased during the 1960s in part because state Employment Service agencies reduced their emphasis on placement activities for high school seniors. Youths are frequently new entrants to the labor force in the process of making the transition from school to work. In the United States (but not in all countries), this transition often involves an initial period of trial and error, in which frequent job changes and intermittent periods of unemployment as well as continued schooling are common. In the 1960s, as a part of the war on poverty, Employment Service resources were shifted toward services for disadvantaged adults and out-of-school youths, with a subsequent reduction of formalized services in schools.[21] The loss of placement services in high schools would bear most heavily on students from low-income families, who have less access to good labor market information through family and friends.

PROSPECTS FOR THE FUTURE

The aging of the baby boom population will result in a decline in the size of the youth population and labor force during the 1980s. From 1970 to 1980, the total labor force grew by 24

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20. Robert Lerman, "An Analysis of Youth Employment Problems," in A Review of Youth Employment Problems, Programs, and Policies, vol. I (The Vice President's Task Force on Youth Employment, January 1980), p. 25.

21. Youth Employment Act of 1979, Hearings before the Subcommittee on Employment Opportunities of the House Committee on Education and Labor, 96:1 (1979), Part I, p. 380.

percent, while the labor force aged 16 to 24 increased by 29 percent. By contrast, from 1980 to 1990, the total labor force is projected to grow by 12 to 22 percent, while the labor force aged 16 to 24 is expected to decline in size by 2 to 10 percent. As a result, youths 16 to 24 will drop from 24 percent to about 19 percent of the total labor force by 1990 (see Table 6).

A core of economically and educationally disadvantaged youths will remain, and they are likely to face chronic employment problems. Most of the projected decline in the size of the youth labor force is confined to white males--the group with the fewest labor market problems. Whereas labor force projections for 1990 indicate a 14 to 15 percent decline for white males aged 16 to 24, those for nonwhite youths range from a 3 percent decline to a 24 percent increase. Reductions in the total number of young white females will be offset by expected increases in female labor force participation, resulting in little, if any, change in their labor force size (see Table 6).

TABLE 6. TOTAL CIVILIAN AND MILITARY LABOR FORCE: 1970, 1980, AND 1990 (In millions)

	1970 (actual)	1980 (actual)	1990[a] (projected)
Total 16 and over	85.9	106.8	119.5 - 130.3
Total 16-24	19.9	25.7	23.1 - 25.1
White males	10.4	12.4	10.5 - 10.7
White females	7.2	10.1	9.4 - 10.2
Nonwhite males	1.4	1.8	1.6 - 2.1
Nonwhite females	1.0	1.4	1.6 - 2.0

SOURCES: Figures for 1970 from Employment and Training Report of the President, 1980; 1980 from Bureau of Labor Statistics, Employment and Earnings (January 1981); 1990 from unpublished BLS projections.

a. BLS projections provide low, intermediate, and high growth projections, which differ primarily because of different assumptions about trends in labor force participation.

Although the major decline in the youth labor force is expected to be for white males, young women and minorities could benefit from the reduced labor market competition. Since adult women appear to be good substitutes for youths in employment, however, competition from adult women may dampen the improvement in labor market prospects that would be expected for youths on the basis of youth labor force changes alone. The persistence of occupational segregation by sex suggests that this competition will be most pronounced for young women.

Improved labor market prospects for young men, especially minorities, are also threatened, principally by the possibility of a continued influx of undocumented workers. It is estimated that the population of illegal aliens in the country is from 3 to 6 million, and that this population continues to grow by one-quarter to one-half million each year.[22] Without significant changes in U.S. immigration policy, competition from undocumented workers could be substantial, at least in certain border regions and larger cities.

22. Testimony of William French Smith before the Senate Subcommittee on Immigration and Refugee Policy and the House Subcommittee on Immigration, Refugees, and International Law, 97:1 (July 30, 1981).

CHAPTER III. ALTERNATIVE POLICY APPROACHES AND AN OVERVIEW OF PRESENT FEDERAL EFFORTS

Youth labor market policy has two sometimes conflicting goals: to increase the current employment of youths and to enhance their long-term employability. While higher employment rates for youths may be of immediate value in terms of greater income and reduced criminal activity, the long-term basis for public concern about youth unemployment is that today's jobless youths may become tomorrow's hard-to-employ adults. The immediate consequences of unemployment are generally more serious for adults than for youths, because the earnings of adults are more likely to be a major source of family income. If there were not a link between joblessness as a youth and joblessness later as an adult, youth unemployment would probably receive less public attention than it does currently.

There are three approaches to dealing with the youth employment problem:

- Increasing the number of jobs offered to youths, without necessarily changing the youths' qualifications;
- Increasing the qualifications of youths, thereby improving their ability to compete for existing jobs; or
- Improving the ability of youths to negotiate the transition from school to work or from one job to another, without necessarily altering either the structure of employment demand or the job qualifications of youths.

These three approaches are necessarily interdependent. A strategy of increasing employment demand will fail if those in need of help are not ready for jobs. Improvement in the qualifications of youths will be ineffective if too few jobs are available. Improving matching mechanisms will be futile if there are no jobs or employable youths to be matched.

INCREASING EMPLOYMENT DEMAND FOR YOUTHS

Employment demand for youths can be increased by expanding total job opportunities in the economy, by redistributing existing employment demand to target it more heavily on youths, or by a hybrid approach in which expanded job opportunities are targeted on youths.

General economic expansion will not only reduce overall unemployment rates, but will also reduce the differentials in unemployment rates between adults, white youths, and minority youths. Stimulative policies in a time of economic slack will translate after some time into increased employment. Since there is evidence to indicate that youth unemployment is more sensitive to economic fluctuations than that of adults, and that nonwhite youth unemployment is more sensitive than that of white youths, economic expansion will tend to reduce the unemployment of youths, especially minority youths, proportionately more than that of adults.[1] One set of estimates, for example, indicates that a decrease of 1 percentage point in the unemployment rate for adult males is associated with an approximately 1.5 point decrease in the unemployment rate for white youths and a 2.5 point decrease in that for black youths.[2]

Reducing unemployment by stimulative macroeconomic policies can, however, fuel further inflation. Further, the data in Chapter II show that sole reliance on general economic stimulation will not eliminate differentials in adult, youth, and minority unemployment rates. Even at cylical peaks, wide gaps remain between the unemployment rates of adults and youths and of white and nonwhite youths.[3]

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1. National Commission for Employment Policy, Expanding Employment Opportunities for Disadvantaged Youth (Fifth Annual Report, December 1979), pp. 86-87.

2. James Luckett and Robert Flanagan, "Youth Employment Policy Review Issues," Council of Economic Advisers, Working Paper, April 1979. Similar estimates were obtained by the Congressional Budget Office in Youth Unemployment: The Outlook and Some Policy Strategies (April 1978), p. 5.

3. Some differential in unemployment rates between youths and adults should be expected even if there were no youth employment "problem," because of the more tenuous labor force attachment of youths.

In the U.S. economy, targeted employment policies may be a less inflationary way to reduce both overall unemployment and the unemployment differentials among groups.[4] Employment policies that attempt to target greater employment demand on selected groups in the labor force may either increase total job opportunities in the economy or just redistribute existing employment demand. Although the former would be preferable, it does not always occur.

The extent to which an increase in demand for targeted groups increases overall employment in the economy depends on the prevalence of displacement, in which target group members are hired in place of, rather than in addition to, the employees who would otherwise be hired.

Even when displacement is large, so that job opportunities are redistributed toward disadvantaged youths without a significant increase in the aggregate, the net result may be beneficial. The findings discussed in Chapter II indicate that total weeks (although not the incidence) of youth unemployment are highly concentrated on a small group of youths disadvantaged because of race, education, and income. If unemployment were more evenly distributed among all youths, it is likely that the consequences of unemployment--both immediate and long-term--would be less serious. Earnings losses would be less concentrated, and hence less likely to create economic hardship. Research indicates that extended periods without work have serious long-term effects on the future employability of youths, so that costs in terms of the employability development of youths would also be lower. For both young men and women, early joblessness is associated with a lower probability of employment in the short run and with lower wages throughout their working lives.[5]

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4. See Robert M. Solow, "Employment Policy in Inflationary Times," in Eli Ginzberg, ed., Employing the Unemployed (Basic Books, 1980), pp. 129-41.

5. See David Ellwood, "Teenage Unemployment: Permanent Scars or Temporary Blemishes," and Mary Corcoran, "The Employment and Wage Consequences of Teenage Women's Nonemployment," in The Youth Employment Problem--Dimensions, Causes, and Consequences (Department of Labor, Youth Knowledge Development Report 2.9, May 1980), pp. 584-693. These studies were designed to control for individual differences that might

(Continued)

But greater employment demand cannot by itself be of much help to youths with severe deficiencies in basic literacy and in work habits. For this group, efforts to develop basic skills are required.

INCREASING EMPLOYABILITY

Some youths, especially those from disadvantaged or minority backgrounds, are not ready for the labor market and cannot compete successfully with adults or other youths for available jobs. They are not readily employable under current conditions. It should be recognized, however, that some of them could become employable--with no change in their characteristics--if their wage cost fell sufficiently or if labor markets became extremely tight. Hence, the employability approach discussed in this section cannot be divorced from the demand-generating approach discussed in the previous section.

In surveys conducted for the Task Force on Youth Employment in 1979, employers reported that their reluctance to hire disadvantaged youths was primarily due to the youths' lack of basic literacy, along with their poor work habits and attitudes. Lack of specific occupational skills was less important to most employers, because they felt occupational skills could be taught on the job if the youths were functionally literate and motivated.[6]

This indicates that federal efforts in this area should emphasize basic education and work habits rather than occupational skill training. A consensus appears to be emerging that disadvantaged youths need training in basic academic skills coupled with

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5. (Continued)
contribute both to current and future employment difficulties, in order to isolate the causal effect of early joblessness on later labor market failure. Similar results were obtained in an earlier study by Wayne Stevenson, "The Relationship Between Early Work Experience and Future Employability," in Arvil Adams and Garth Mangum, The Lingering Crisis of Youth Unemployment (Upjohn Institute for Employment Research, June 1978), pp. 93-115.

6. Private Sector/Education Roundtable Series: Final Report (The Vice President's Task Force on Youth Employment, October 1979), p. 7.

work experience, together with a strict system of performance-based rewards and penalties in which those who are not ready to benefit from remedial training are weeded out.[7] Work experience alone, even when well-supervised, does not appear to increase the employability of youths.[8] In fact, poorly supervised work experience may even tend the other way if it encourages the development or continuation of poor work habits and attitudes.[9]

IMPROVING LABOR MARKET TRANSITIONS

A large portion of youth joblessness arises from their frequent shifts between school and work and from job to job, before they settle into stable employment. Studies indicate that many youths are poorly informed about effective ways to search for jobs. The transition from school to work, or from one job to another, takes them longer than necessary, thereby increasing their average rate of unemployment. This problem is likely to be more serious for low-income and minority youths than for others, because they are less likely to have job contacts through family and friends.[10]

If labor market demand is strong, training in job-search techniques can be a low-cost way of reducing unemployment among job-ready youths, by lessening the time it takes them to find work. Placement activities can do little, though, for young people who are not job-ready or when employment demand is weak.

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7. See Garth Mangum and John Walsh, Employment and Training Programs for Youth--What Works Best for Whom? (Department of Labor, Youth Knowledge Development Report 2.2, May 1980), p. 173; and Robert Taggart, A Fisherman's Guide: An Assessment of Training and Remediation Strategies (Upjohn Institute for Employment Research, 1981), Chapter 5.

8. Summary and Findings of the National Supported Work Demonstration (Manpower Demonstration Research Corporation, 1980), p. 9.

9. Taggart, A Fisherman's Guide, p. 127.

10. National Commission for Employment Policy, Expanding Employment Opportunities, p. 103.

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OVERVIEW OF PRESENT FEDERAL EFFORTS

A variety of federal programs are being or might be used to improve employment prospects for youths. Those examined in the following chapters are grouped according to their principal goal, although some programs may relate to more than one goal. Programs that are primarily intended to generate increased targeted employment demand--employment subsidies such as the Targeted Jobs Tax Credit, economic development programs, and a youth subminimum wage--are discussed in Chapter IV. Federal appropriations and estimated revenue losses for these activities in 1982 total $1.3 billion. Programs that are intended to develop greater employability--education, employment, and training programs--are examined in Chapter V. A total of $3.6 billion has been appropriated for these federal programs in 1982. Programs that are intended to improve labor market transitions through job search training and job placement services are analyzed in Chapter VI. Budget appropriations for the U.S. Employment Service are about $0.7 billion for 1982 (see Table 7).[11]

The effectiveness of these programs is considered in terms of several criteria, including their capacity to generate new job opportunities for youths; their effect on the future employability of targeted youths; the extent to which benefits are directed to the most disadvantaged youths; and the probability that jobs may be gained at the expense of other groups in the labor force. Although there may be isolated successes in all programs, overall effectiveness requires a large enough proportion of successes to show up in national studies of program results.

11. This includes the supplemental appropriation of $211 million requested by the Administration in late January 1982.

TABLE 7. SUMMARY OF PRESENT FEDERAL PROGRAMS THAT AFFECT THE YOUTH LABOR MARKET (In millions of dollars)

Program	Authorized 1982 Funding	1982 Appropriations or Estimated Revenue Losses	Program Description
Increasing Employment Demand			
Targeted Jobs Tax Credit	---	243[a]	Provides a nonrefundable tax credit to employers hiring persons in specific groups, including disadvantaged youths.
Economic Development Programs	1,157[b]	1,009[c]	Provide place-oriented incentives for private-sector investment in areas of high unemployment or low income.
Minimum Wage Provisions	---	---	The Fair Labor Standards Act currently provides for a minimum wage of $3.35 per hour. A subminimum wage is available to certain employers of students through Labor Department certification.
Increasing Employability			
Comprehensive Employment and Training Act	3,895[d]	2,978[d]	Provides training and work experience programs targeted on the economically disadvantaged.

(Continued)

TABLE 7. (Continued)

Program	Authorized 1982 Funding	1982 Appropriations or Estimated Revenue Losses	Program Description
Vocational Education Act	735[e]	646[e]	Provides federal dollars to supplement vocational expenditures at the state and local level. Vocational education programs provide job-skill training in secondary and postsecondary schools.
Improving Labor Market Transitions			
U.S. Employment Service	---[f]	735[g]	Distributes funds to state employment service agencies to provide job-seekers with labor market information and placement assistance.

SOURCES: Funding authorization information is taken from the Omnibus Budget Reconciliation Act of 1981 and from the Economic Recovery Tax Act of 1981. Amounts appropriated are taken from the 1982 appropriations bills, or H.J. Resolution 370 (P.L. 97-92) as interpreted by agency budget officers.

TABLE 7. (Continued)

a. An additional $30 million in administrative expenses is authorized under the Omnibus Budget Reconciliation Act of 1981, although only $20 million was appropriated under H.J. Resolution 370 (P.L. 97-92).

b. Includes $500 million for Urban Development Action Grants, $290 million for the Economic Development Administration, and $367 million for Community Development Block Grants (CDBGs). Total funding for CDBGs is $3,666 million, but only about 10 percent of this is for economic development activities. This does not include amounts authorized for the Farmers Home Administration Business and Industrial Loan Program.

c. Includes $440 million for Urban Development Action Grants, $223 million for the Economic Development Administration, and $346 million for Community Development Block Grants.

d. This includes funding for program activities only. Expenses for the Employment and Training Administration are not included.

e. Additional federal funding for vocational education programs at the postsecondary level occurs through grants to individuals, such as Pell grants.

f. Only a portion of the Employment Service budget was addressed in the Omnibus Reconciliation Act.

g. Includes funding for grants to states to carry out the provisions of the Wagner-Peyser Act, as well as activities mandated under other legislation, such as the Trade Adjustment Assistance Act. Some additional resources are available for services rendered to CETA prime sponsors, local welfare agencies, and others.

CHAPTER IV. INCREASING EMPLOYMENT DEMAND FOR YOUTHS

Most jobs are in the private sector, so that efforts to achieve a substantial increase in employment demand for youths must induce greater willingness among private-sector employers to hire these youths. This chapter discusses three ways to increase employment demand for youths--other than general economic expansion--that particularly involve the private sector:

- Employment subsidies;
- Economic development subsidies; and
- Modification of minimum wage provisions.

Both current programs and options for altering present efforts are discussed. Although public service employment could be used to target greater employment demand on selected groups, it is not discussed here. The Congress has just eliminated the previous public service employment (PSE) programs that were funded under Titles II-D and VI of the Comprehensive Employment and Training Act. The effect of other CETA programs on employment demand for disadvantaged youths will be discussed in Chapter V.

All of the programs discussed in this chapter are intended to redirect existing employment demand or to direct new employment demand toward youths. Since the labor force participation of youths is very responsive to employment demand, however, policies that are successful in generating more employment demand for them may induce more to enter the labor market and thus have little effect on youth unemployment rates. Also, because the magnitude of the youth employment problem is sensitive to overall economic conditions, in time of recession policies designed to stimulate the economy may be a necessary complement to the programs discussed here. Finally, more effective enforcement of existing federal laws concerning racial discrimination and immigration would also probably help to target more employment demand on minority and low-skilled youths.[1]

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1. For a discussion of the impact of immigration on the United States, see Leon F. Bouvier, Immigration and Its Impact on U.S. Society (Population Reference Bureau, September 1981).

The programs discussed in this chapter may affect youth employability as well as employment demand, in several ways. First, if successful at generating more employment demand, these programs would increase the experience accumulated by youths in any one year, thereby helping to develop the work habits and previous employment record desired by prospective employers. Second, the amount of on-the-job training incorporated into the jobs given to youths might be increased by providing employment subsidies or lowering the minimum wage, thus reducing the wage cost to employers below the youths' productivity by enough to "pay" for that training.[2] On the other hand, evidence indicates that increased youth employment opportunities reduce school enrollment,[3] and this may have adverse consequences for future employability, especially if youths drop out of school before completing high school.

EMPLOYMENT SUBSIDIES

Targeted employment subsidies are intended to increase employment demand for selected groups by reducing the costs to employers of hiring them. Subsidies tend to induce some increase in overall employment demand as well because of reduced labor costs, but the increase in total employment is unlikely to be as large as the number of subsidized employees, for two reasons. First, with a subsidy some employers receive windfalls for hiring employees that they would have hired even in the absence of the subsidy; in this instance neither total nor target-group employment is increased. Second, displacement occurs to the

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2. See Masinori Hashimoto, Minimum Wages and On-the-Job Training (American Enterprise Institute, 1981); and Linda Leighton and Jacob Mincer, "The Effects of Minimum Wages on Human Capital Formation," pp. 155-73 in Simon Rottenberg, ed., The Economics of Legal Minimum Wages (American Enterprise Institute, 1981). Contradictory results are obtained by Edward P. Lazear and Frederick H. Miller, "Minimum Wage Versus Minimum Compensation," in the Report of the Minimum Wage Study Commission, vol. V (1981), pp. 347-80.

3. See J. Peter Mattila, "The Impact of Minimum Wages on Teenage Subsidy and on the Part-Time/Full-Time Employment of Youths," pp. 61-87 in Rottenberg, ed., The Economics of Legal Minimum Wages.